PEI Aquaculture and Fisheries Research Initiative Inc

ANNUAL REPORT 2011/2012

DRAFT

Prince Edward Island
CANADA

Fisheries, Aquaculture and Rural Development

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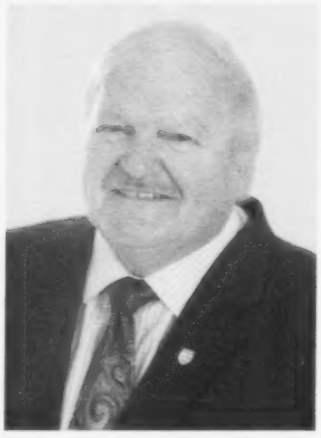
Message from the Minister

To the Honourable H. Frank Lewis
Lieutenant Governor of Prince Edward Island
P.O. Box 846
Charlottetown, PE C1A 7L9



May It Please Your Honour:

I have the honour to submit herein the annual report of the Prince Edward Island Aquaculture and Fisheries Research Initiative for the period April 1, 2011 to March 31, 2012.

Respectfully submitted,

Ron MacKinley, *Minister*
Fisheries, Aquaculture and Rural Development

Board of Directors

Name	Position/Sector/Term
Richard Gallant	Member/Chairperson PEI Department of Fisheries, Aquaculture and Rural Development Term: Ongoing
Gerard Cheverie	Member - Commercial Fisheries Sector Term: March 8, 2011 -March 31, 2013
Michael Cherry	Member - Fisheries and Oceans Canada Term: At Pleasure
Angela Gaudet	Member - Community at Large Term: August 11, 2009 – March 31, 2012
Jason Handrahan	Member - Aquaculture Term: March 8, 2011 – March 31, 2013
Shaun MacLeod	Member - Aquaculture Sector Term: December 23, 2008 – March 31, 2011
Crystal McDonald	Member - Aquaculture Sector Term: December 9, 2008 – March 31, 2011
Jeff White	Member - Commercial Fisheries Sector Term: March 31, 2009 – March 31, 2012
Jeff Wichtel	Member/Vice-Chairperson - Academic Representative Term: March 8, 2011 – March 31, 2013
Kelly Cantelo	Secretary/Treasurer PEI Department of Fisheries, Aquaculture and Rural Development
Jarrod Gunn McQuillan	Interim Secretary/Treasurer PEI Department of Fisheries, Aquaculture and Rural Development Commenced February 6, 2012

Board of Director's Report

The Board of Directors is pleased to submit the annual report highlighting the activities of the Prince Edward Island Aquaculture and Fisheries Research Initiative for the fiscal year 2011-2012.

The corporation was established in 1996 to encourage short-term applied or developmental aquaculture and fisheries research in partnership with individuals, businesses and organizations. Since its inception, AFRI has received 77 project proposals. The program has supported 53 research projects with a total value of $9,151,087 with AFRI approving $2,015,879 in funding to project applicants. The AFRI program has helped to leverage significant dollars from other government and industry sources. The corporation is managed by a Board of Directors representing government, research agencies and industry. The board held five meetings during 2011-2012, plus the Annual Shareholders meeting.

The following is a summary of project activities for 2011-2012:

Ongoing Projects

Applicant and Project Title	Term Of Project	Approved Project Cost (budgeted)	AFRI's Contribution (budgeted)
Confederation Cove Mussels Co. Ltd *Automated Digital Imaging for Grading Mussels in a Processing Plant*	1 year	$630,250	$42,225
PEI Aquaculture Alliance *Defining Optimal Growth Characteristics of Atlantic Halibut*	2 year	$91,000	$60,000

Closed Projects

Applicant and Project Title	Term of Project	AFRI's Contribution
PEI Shellfish Association *The Impact of Green Crab on Bedeque Bay and North River Oyster Beds: Population Size and Risk Assessment*	2 years	$47,008
PEI Aquaculture Alliance *Development of Techniques and Mitigation Strategies for the Management of Invasive Tunicate Species Fouling Aquaculture Farms*	5 years	$169,431
PEI Fishermen's Association *Bluefin Tuna Catch and Release Project*	1 year	$43,015

AUDITOR GENERAL

CHARLOTTETOWN

PRINCE EDWARD ISLAND

P.E.I. AQUACULTURE AND FISHERIES

RESEARCH INITIATIVE INC.

FINANCIAL STATEMENTS

MARCH 31, 2012

AUDITOR GENERAL

CHARLOTTETOWN
PRINCE EDWARD ISLAND

AUDITOR'S REPORT

To the Board of Directors of the
P.E.I. Aquaculture and Fisheries Research Initiative Inc.

I have audited the financial statements of the **P.E.I. Aquaculture and Fisheries Research Initiative Inc.**, which comprise the statements of financial position as at March 31, 2011, and 2012, and the statements of operations and accumulated surplus and changes in net financial assets for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles for the public sector and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

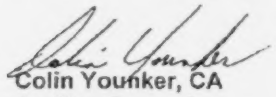
My responsibility is to express an opinion on these financial statements based on my audits. I conducted the audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audits to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2011, and 2012, and the result of its operations, changes in net financial assets and cash flow for the years then ended in accordance with Canadian generally accepted accounting principles for the public sector.



Colin Younker, CA
Auditor General

Charlottetown, Prince Edward Island
June 29, 2012

P.E.I. AQUACULTURE AND FISHERIES RESEARCH INITIATIVE INC.

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2012

	2012 $	2011 $
Financial Assets		
Cash	74,259	110,583
Investments (Note 5)	380,306	430,400
Accounts receivable (Note 8)	60,000	-
	514,565	540,983
Liabilities		
Accounts payable and accrued liabilities	60	-
Grants payable	45,542	35,222
	45,602	35,222
Net Financial Assets	468,963	505,761
Non-Financial Assets		
Prepaid expenses	27,000	-
Accumulated Surplus (Note 6)	495,963	505,761

(The accompanying notes are an integral part of these financial statements.)

Approved on behalf of the Board

Board Chair

Board Member

P.E.I. AQUACULTURE AND FISHERIES RESEARCH INITIATIVE INC.
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED MARCH 31, 2012

	Budget 2012 $	2012 $	2011 $
Revenues			
Grants - Province of Prince Edward Island	-	60,000	100,000
Interest revenue	20,000	8,608	9,284
	20,000	68,608	109,284
Expenses			
Administration	7,000	8,750	7,522
Grants	222,800	69,656	130,258
	229,800	78,406	137,780
Annual Deficit	(209,800)	(9,798)	(28,496)
Accumulated Surplus, beginning of year		505,761	534,257
Accumulated Surplus, end of year		495,963	505,761

(The accompanying notes are an integral part of these financial statements.)

P.E.I. AQUACULTURE AND FISHERIES RESEARCH INITIATIVE INC.
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED MARCH 31, 2012

	Budget 2012 $	2012 $	2011 $
Net Financial Assets, beginning of year	505,761	505,761	534,257
Changes in year:			
Annual deficit	(209,800)	(9,798)	(28,496)
Increase in prepaid expenses	-	(27,000)	-
Decrease in Net Financial Assets	(209,800)	(36,798)	(28,496)
Net Financial Assets, end of year	295,961	468,963	505,761

(The accompanying notes are an integral part of these financial statements.)

P.E.I. AQUACULTURE AND FISHERIES RESEARCH INITIATIVE INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012

1. Nature of Operations

The P.E.I. Aquaculture and Fisheries Research Initiative Inc. (the Corporation) was incorporated on March 27, 1996, under Part 1 of the *Companies Act*. The main objective of the Corporation is to provide funds for aquaculture, commercial fisheries and processing research in the Province.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements for the year ended March 31, 2012, have been prepared in accordance with Canadian generally accepted accounting principles for the public sector. Prior period financial statements were prepared in accordance with Canadian generally accepted accounting principles for the private sector. The adoption of public sector accounting standards has been applied retroactively. The application of the new accounting framework did not affect previously reported results. Impacts on the financial statements were limited to presentation and disclosure.

a) Investments

Investments are recorded at the lower of cost or fair market value plus accrued interest.

b) Accounts Receivable

Accounts receivable are recorded at cost less any provision when collection is in doubt.

c) Revenues

Revenues are recognized in the period in which the transaction or event that gave rise to the revenue occurred. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Transfers (revenues from non-exchange transactions) are recognized as revenues when the transfer is authorized, any eligibility criteria are met and reasonable estimates of the amounts can be made. Transfers are recognized as deferred revenue when amounts have been received but not all eligibility criteria have been met.

Recovery of contributed amounts are recorded as accounts receivable when there is sufficient evidence that the applicant has not met eligibility conditions and is required, under the terms of the agreement, to repay all or a portion of the amount contributed. Recoveries are recognized in the period in which the amount is determined.

2. Summary of Significant Accounting Policies (continued...)

d) Expenses

Expenses are reported on an accrual basis in the period in which the transaction or event which gave rise to the expense occurred.

Grants include payments under shared cost arrangements and are recorded as expenses when the grant is authorized, eligibility criteria are met by the recipient and reasonable estimates of the amounts can be made. Grant payments are recognized as prepaid expenses until eligibility criteria have been met.

3. Use of Estimates and Measurement Uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include grant expenses.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates and the differences could be material.

4. Financial Risk Management Objectives and Policies

The Corporation's risk management policies are part of the overall management of its operations. Management's direct involvement in day-to-day operations identifies risks and variations from expectations leading to changes in risk management activities, requirements and actions. As part of the overall management of the Corporation's operations, management considers avoidance of undue concentrations of risk and employs appropriate investment and credit management policies to manage its exposure.

5. Investments

Investments consist of guaranteed investment certificates with maturity dates ranging from one to two years and rates of return ranging from 1.15 percent to 2.75 percent.

P.E.I. AQUACULTURE AND FISHERIES RESEARCH INITIATIVE INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

6. Accumulated Surplus

Accumulated surplus consists of the following:

	2012 $	2011 $
Accumulated operating surplus	495,863	505,661
Share capital	100	100
	495,963	505,761

The Corporation has authorized 5,000 common shares with a $1 par value. As at March 31, 2012, there were 100 common shares issued and outstanding. The Province of Prince Edward Island, as represented by the Minister of Fisheries, Aquaculture and Rural Development, is the sole shareholder.

7. Contractual Obligations

The Corporation has entered into a multi-year funding agreement. This contractual obligation will become a liability in the future when the terms of the agreement are met. At March 31, 2012, the Corporation has a commitment of $30,000 to a related party which is expected to be fulfilled in 2013.

8. Related Party Transactions

The Corporation had the following transactions with the Province of Prince Edward Island and other provincially controlled organizations:

	2012 $	2011 $
Grants from the Province	60,000	100,000
Payments to the Province	60	30
Payments to other provincial organizations	7,405	6,732
	67,465	106,762

During the year, one current Board member is associated/related to organizations which received funding under programs of the Corporation in the amount of $55,431 (2011 - $60,321). These transactions were in the normal course of operations.

Costs incurred by the Department of Fisheries, Aquaculture and Rural Development on behalf of the Corporation are not reflected in these financial statements. These costs include salary and related employee benefits, office accommodations, directors' honoraria and other administrative expenses.

Accounts receivable consist of a grant from the Province of Prince Edward Island.

P.E.I. AQUACULTURE AND FISHERIES RESEARCH INITIATIVE INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2012

9. **Statement of Cash Flow**

A statement of cash flow has not been prepared as the required cash flow information is readily apparent from the other information included in these financial statements.

10. **Budgeted Figures**

Budgeted figures have been provided for comparative purposes and have been derived from estimates approved by the Board of Directors.